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December 10, 2004

VIA ELECTRONIC MAIL

Kristina Kern Wheeler, Esq.
Indiana Utility Regulatory Commission
302 West Washington Street, Suite E-306
Indianapolis, Indiana 46204

**Re: Proposed New Customer Rights and Responsibilities Rules
(IURC RM #04-02 LSA#04-144)**

Dear Ms. Kern Wheeler:

Attached please find the reply public comments of my client, Northern Indiana Public Service Company, in the above-referenced rulemaking proceeding pending before the Indiana Utility Regulatory Commission.

Best regards,

BAKER & DANIELS

Clayton C. Miller

cc: M. Martin

INITIAL PUBLIC COMMENTS
OF
NORTHERN INDIANA PUBLIC SERVICE COMPANY
BEFORE THE
INDIANA UTILITY REGULATORY COMMISSION
IN RESPONSE TO PROPOSED
CUSTOMER SERVICE RIGHTS & RESPONSIBILITIES RULES,
IURC RULEMAKING #04-02
LSA DOCUMENT #04-144

December 10, 2004

Northern Indiana Public Service Company ("NIPSCO") endorses the comments filed this day by the Indiana Energy Association replying to the various initial public comments submitted last month in this rulemaking. NIPSCO files these separate reply comments to specifically address some of the concerns raised at the public meeting conducted by the Indiana Utility Regulatory Commission in South Bend, Indiana, the evening of Wednesday, December 1, 2004. At that meeting, the Commission invited members of the public to comment on proposed changes to the Commission's administrative rules governing utilities' customer service rights and responsibilities. Oral and written comments received were added to the record of the Commission's rulemaking proceeding, RM #04-02.

NIPSCO provides electric and gas utility service to more than 700,000 customers in northern Indiana. Although another utility provides electric utility service in South Bend, St. Joseph County (of which South Bend is the seat) and the surrounding Indiana counties are in

NIPSCO's gas utility service territory. Most, if not all, of the comments made and received at the South Bend public meeting appeared to concern gas utility service, and several speakers referred to NIPSCO by name.

Of the 35 individuals who testified orally at the public meeting, 24 indicated that they were representing an organization or public entity. The speakers included a state senator, city councilors, township trustees, and various church and civic leaders. The Commission also heard from 11 persons who did not identify an organizational affiliation.

Most of the speakers expressed general support for the rule changes proposed by the Commission, albeit with some modification. The two most often repeated points were 1) a wariness of the use of a credit score by utilities to determine when to ask for a deposit, along with 2) a preference for a further reduction in the time period used to determine the amount of a deposit. As the Commission is aware, the current rule permits a utility to require a deposit of up to four times the projected average monthly bill, while the proposed rule would halve that amount, capping deposits at two times the customer's projected average monthly bill. A number of speakers favored lowering the deposit to one average month's charge.

The IEA's reply comments effectively describe the limited use of a potential customer's utility credit score when the potential customer has no payment history with the utility, and explain why this objective current practice is well-suited to reducing exposure to bad debt. While those reply comments also address the need to allow at least two month's worth of consumption in advance for customers who pose a demonstrable risk of nonpayment, the cases of some of those who advocated a reduction in deposit amounts at the South Bend public meeting help illustrate why limiting deposits to one or two month's worth of an average annual utility bill will result in an increase in the amount of write-offs due to non-payment.

Although the short amount of time between the public meeting and the reply comment deadline has limited NIPSCO's ability to investigate every concern raised at that meeting, NIPSCO customer service personnel have attempted to review the accounts of individuals who identified a specific concern in their oral and/or written testimony. In several instances, NIPSCO had been able to apply a deposit to reduce the customer's indebtedness, but that deposit, even under the current rules, was insufficient, leaving a balance which remains uncollected. Just from that relatively small number of accounts represented by the eleven individuals who spoke on their own behalf at the public meeting, the total owed for gas consumed and never paid for exceeds \$1,400. Another telling statistic is that of the 105 individuals¹ who submitted public comment forms indicating a name and address associated with a NIPSCO account, 31, or 30%, had at some point been sent a disconnect notice for nonpayment of their gas bill.

One of the customers who testified complained that NIPSCO had disconnected him without any notice on a Saturday. This particular customer is indeed a former gas customer of NIPSCO, but he neglected to include pertinent details of his experience. He had been disconnected, after multiple notices, on September 9, 2003, which was a Tuesday. Someone then reconnected service without authorization at this customer's address. After NIPSCO became aware of unauthorized use of gas at this service address, service was again disconnected on December 6, 2003, which was, in fact, a Saturday.

In conclusion, NIPSCO certainly understands and appreciates the difficult balance the Commission needs to strike on this sensitive subject. Increased gas commodity costs have

¹ NIPSCO counted a total of 120 separate public comment forms and letters submitted at the December 1st public meeting in South Bend, not including the more than 200 form letters also submitted at that meeting.

strained customer pocketbooks, not to mention the budgets of community service agencies providing aid to those in need assistance paying utility bills. As one of the speakers at the public meeting acutely observed, however, the likely impact of the rules as currently proposed will be an increase in the amount of bad debt and a decrease in the number of remaining customers who pay for all the utility service they consume. NIPSCO urges the Commission to reconsider several of the key changes to existing practice reflected in the proposed rule, and to institute a series of workshops at which a full range of stakeholders might discuss the optimal resolution of these critical issues.